

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

MARKET DOMINANT PRODUCT PRICES  
INBOUND MARKET DOMINANT REGISTERED SERVICE  
AGREEMENT 1 (MC2016-168)  
NEGOTIATED SERVICE AGREEMENT

Docket No.  
R2016-6

**MOTION FOR PARTIAL RECONSIDERATION OF CHAIRMAN'S INFORMATION  
REQUEST NO. 1 AND ORDER NO. 3471, OR, IN THE ALTERNATIVE, MOTION FOR  
EXTENSION OF TIME TO SUBMIT RESPONSE OF THE UNITED STATES POSTAL  
SERVICE TO CHAIRMAN'S INFORMATION REQUEST NO. 1**  
(June 8, 2017)

On June 1, 2017, the Postal Regulatory Commission (Commission) issued  
Chairman's Information Request (ChIR) No. 1 in this proceeding,<sup>1</sup> in which the  
Commission directed the Postal Service to provide the additional information requested  
in Ordering Paragraph 6 of Order No. 3471. That passage states the following:

The Postal Service shall file workpapers in future filings that include  
the following: volume, revenue, and cost data, disaggregated by  
country of origin, for each component of remuneration gathered in  
accordance with Annex 4 of the Registered Service Agreement.<sup>2</sup>

The Postal Service respectfully requests that the Commission reconsider the ChIR, as  
well as Ordering Paragraph 6 of Order No. 3471, for the following reasons.

First, it is unclear why the financial information requested in the ChIR is needed  
when the changes that prompted the ChIR are inconsequential to the financial  
performance of the agreement. The ChIR was issued in response to the Postal  
Service's filing on May 31, 2017, of an update concerning the Inbound Market Dominant

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<sup>1</sup> Chairman's Information Request No. 1, Docket No. R2016-6, June 1, 2017, at 1.

<sup>2</sup> PRC Order No. 3471, Order Adding Inbound Market Dominant Registered Service Agreement 1 to the  
Market Dominant Product List and Approving Type 2 Rate Adjustment, Docket Nos. MC2016-168 and  
R2016-6, August 17, 2016, at 10.

Registered Service Agreement 1.<sup>3</sup> The ChIR states “[t]o assist the Commission in its review of the Postal Service’s May 31, 2017 filing, the Postal Service is requested to provide the information previously specified in Order No. 3471.”<sup>4</sup> However, the purpose of the Postal Service’s May 31, 2017 filing was

to inform the Commission of two recent additional versions [v6.1 and v.7.0] of the Postal Service’s Annex 3 to the Inbound Market Dominant Registered Service Agreement 1 that set forth the delivery times (targets) for the Postal Service under the Agreement – a corrected version [of v6.0] that went into effect on June 1, 2016 [v6.1], [footnote omitted] as well as a revised version that is scheduled to go into effect on June 1, 2017 [v7.0], which adds a tab to include a Postal Service International Service Center office of exchange used under the bilateral agreement between Hongkong Post and the Postal Service.<sup>5</sup>

In footnote 4 of the Postal Service’s May 31, 2017 filing, the Postal Service noted that the revision to v6.0<sup>6</sup> included in v6.1 of the Postal Service’s Annex 3 to the Inbound Market Dominant Registered Service Agreement 1 that went into effect on June 1, 2016, “is merely format-based and did not change the delivery times (targets) for the Postal Service set forth in v6.0 in any way.”<sup>7</sup> In addition, the Postal Service does not consider that the version (v7.0) of the Postal Service’s Annex 3 to the agreement that went into effect on June 1, 2017, changes the delivery times (targets) for the Postal Service set forth in v6.0 in any way. Therefore, in the Postal Service’s May 31, 2017 filing in this docket, the Postal Service stated that it did not consider it necessary to

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<sup>3</sup> Notice of United States Postal Service Providing Update Concerning Inbound Market Dominant Registered Service Agreement 1, Docket No. R2016-6, May 31, 2017.

<sup>4</sup> Chairman’s Information Request No. 1, Docket No. R2016-6, June 1, 2017, at 1-2

<sup>5</sup> Notice of United States Postal Service Providing Update Concerning Inbound Market Dominant Registered Service Agreement 1, Docket No. R2016-6, May 31, 2017, at 2.

<sup>6</sup> v6.0 was included in the Postal Service’s initial filing in this docket. See Request of United States Postal Service to Add Inbound Market Dominant Registered Service Agreement to the Market Dominant Product List, Notice of Type 2 Rate Adjustment, and Application for Non-Public Treatment, Docket Nos. MC2016-168 and R2016-6, July 13, 2016, at 4.

<sup>7</sup> Notice of United States Postal Service Providing Update Concerning Inbound Market Dominant Registered Service Agreement 1, Docket No. R2016-6, May 31, 2017, at 2, n. 4.

include revised financial workpapers with its May 31, 2017 filing, “because the two updated versions of the Postal Service’s Annex 3 included [in the] filing do not affect the net financial effect of the Inbound Market Dominant Registered Service Agreement 1.”<sup>8</sup> Order No. 3471, as well as the more recent ChIR, do not explain which circumstances would prompt the need for additional financial information, and do not identify under which circumstances the Postal Service should file financial information in this docket in the future. In the absence of further guidance, it is unclear why financial information is needed when the changes that prompted the ChIR are inconsequential to the financial performance of the agreement.

Second, the requested information is not only duplicative of the annual reporting requirements set forth in the Annual Compliance Report (ACR), see 39 U.S.C. § 3652 and 39 C.F.R. § 3050.21, but also exceeds those requirements. As background, the Inbound Market Dominant Registered Service Agreement 1 is listed as a product in section 1602.5 of the Mail Classification Schedule.<sup>9</sup> Each inbound flow from each country under the Inbound Market Dominant Registered Service Agreement 1 is a revenue stream, and not a product, and therefore reporting concerning each inbound flow from each country under the agreement exceeds the reporting requirements in 39 C.F.R. § 3050.21. The Postal Service intends to report information on the agreement at the product level through the ACR, and thus furnishing financial information at this juncture would be duplicative. Additionally, Order No. 3471 and the ChIR direct the Postal Service to “file workpapers in future filings that include the following: volume,

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<sup>8</sup> *Id.* at 2.

<sup>9</sup> See PRC, Mail Classification Schedule, posted January 22, 2017 (with revisions through April 4, 2017), available at <https://www.prc.gov/mail-classification-schedule>.

revenue, and cost data disaggregated by country of origin, for each component of remuneration gathered in accordance with Annex 4 of the Registered Service Agreement.”<sup>10</sup> There should be nothing unique or exceptional about inbound PRIME shipments from any single country of origin, as all flows are subject to the same rates; hence, there is no compelling reason to disaggregate PRIME data by reporting separately for each country flow. Indeed, under longstanding practice, as well as the Commission’s rules, reporting of product financial information is performed at the product level, not at the country-specific level. 39 C.F.R. § 3050.21 states that:

- (a) No later than 90 days after the close of each fiscal year, the Postal Service shall submit a report to the Commission analyzing its cost, volume, revenue, rate, and service information in sufficient detail to demonstrate that all products during such year comply with all applicable provisions of title 39 of the United States Code. The report shall provide ...
- (b) The volume and revenue generated by each product;
- (c) The attributable costs of, and the contribution to institutional costs made by, each product; ...
- (f) For each market dominant negotiated service agreement:
  - (1) Identify its rates and service features;
  - (2) Estimate its costs, volumes, and revenue....<sup>11</sup>

The additional requirement for the Postal Service to provide volume, revenue, and cost data “disaggregated by country of origin, for each component of remuneration” is inordinately burdensome, and exceeds the scope of reporting at the product level.

Third, the Postal Service notes that the cost coverage for the Inbound Market Dominant Registered Service Agreement 1 is exceptionally healthy. In good faith, the Postal Service reasonably believes that there have been no changes in circumstances that might cause the agreement’s cost coverage to change significantly.

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<sup>10</sup> PRC Order No. 3471, at 10; Chairman’s Information Request No. 1, Docket No. R2016-6, June 1, 2017, at 1.

<sup>11</sup> 39 C.F.R. § 3050.21

Taking into consideration the relatively small amount of revenue generated by the Inbound Market Dominant Registered Service Agreement 1 and the complexities related to reporting concerning the agreement, the Postal Service respectfully requests that the Commission reconsider the ChIR and Ordering Paragraph 6 of Order No. 3471. The Postal Service respectfully requests that it continue to provide cost, revenue, and volume data concerning the Inbound Market Dominant Registered Service Agreement 1 within the course of the ACR process. Of course, should the agreement change in a material way that would affect the cost coverage, the Postal Service understands its obligation to provide the Commission with any modification or successor agreement accompanied by supporting financial information.

Thus, for the above reasons, the Postal Service respectfully requests that the Commission reconsider the ChIR and Order No. 3471 so as to not require the production of financial information in this instance, and not require the production of country-specific data in any case. The Postal Service also asks that the Commission clarify Order No. 3471 by describing the circumstances when financial data are required, apart from regular reporting under the ACR or when the agreement changes in a material way as to affect its financial performance. In the alternative, if the Commission insists on the production of the requested data, the Postal Service respectfully requests an extension of time of six weeks from the date of the Commission disposition of the instant motion, to submit its response to the Information Request. The requested extension will allow time to gather and analyze the pertinent information, and allow for sufficient time for internal review.

Respectfully submitted,

UNITED STATES POSTAL SERVICE  
By its attorneys:

Anthony F. Alverno  
Chief Counsel, Global Business

Christopher C. Meyerson  
Attorney

475 L'Enfant Plaza, S.W.  
Washington, D.C. 20260-1137  
(202) 268-7820; Fax -5628  
christopher.c.meyerson@usps.gov  
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